# Michigan Department of Treasury 496 (02/06) Auditing Procedures Report

			2 of 1968, as		nd P.A. 71 of 1919	as amended.					
Loca	l Unit	of Gov	ernment Typ	е			Local Unit Name	County			
	ount	<u> </u>	□City	□Twp	□Village	⊠Other	Internationa	al Academy of Flint, PSA	<b>\</b>	Genesee	
Fiscal Year End Opinion Date 6/30/06 8/11/06					Opinion Date 8/11/06			Date Audit Report Submitted	to State		
We a	ffirm	that:			<del></del>						
				ccountant	s licensed to p	ractice in Mi	ichigan				
We f	urthe	r affii	m the follo	owing mat		onses have	been disclos	sed in the financial stateme	nts, includ	ling the notes, or in the	
	YES	9	Check each applicable box below. (See instructions for further detail.)								
1.	X		All require reporting	ed compo entity not	nent units/functions es to the finan	ls/agencies cial stateme	of the local u	nit are included in the finan sary.	ncial state	ments and/or disclosed in the	
2.	×		There are	e no accur	mulated deficit	s in one or r	more of this u	nit's unreserved fund balan oudget for expenditures.	nces/unres	stricted net assets	
3.	×					and the second		ccounts issued by the Dep	artment o	f Treasury.	
4.	X				adopted a bud						
5.	×		A public I	hearing or	n the budget w	as held in a	ccordance wi	th State statute.			
6.	×		The local other guid	l unit has i dance as	not violated the issued by the I	Municipal	Finance Act, and Finance I	an order issued under the I	Emergeno	y Municipal Loan Act, or	
7.	X		The local	The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.							
8.	X		The local unit only holds deposits/investments that comply with statutory requirements.								
9.	X		The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin).								
10.	×		There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.								
11.	X				e of repeated						
12.	X		The audi	t opinion i	s UNQUALIFI	ED.					
13.	×		The local	l unit has l l accountii	complied with	GASB 34 or GAAP).	GASB 34 as	modified by MCGAA State	ement #7	and other generally	
14.	×		The boar	d or coun	cil approves al	l invoices pi	rior to paymei	nt as required by charter or	statute.		
15.	X		To our kr	nowledge,	bank reconcili	ations that	were reviewe	d were performed timely.			
incl des	uded cripti	in to on(s)	nis or any of the au	other au thority and	thorities and condit report, nor divided the commission of the com	do they ob n.	otain a stand	-alone audit, please enclo	daries of the se the na	he audited entity and is not ame(s), address(es), and a	
			closed the			Enclosed	1	ed (enter a brief justification)			
Fin	ancia	al Sta	tements			$\boxtimes$					
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ł			rt Street.	Suite 1A	· · · · · · · · · · · · · · · · · · ·			City Flint	State MI	48502	
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Tadd Harburn

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# **International Academy of Flint, PSA**

Flint, Michigan

Financial Report with Supplemental Information

**June 30, 2006** 

# International Academy of Flint, PSA June 30, 2006

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#### Independent Auditors' Report

Board of Education International Academy of Flint, PSA Flint, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of International Academy of Flint, PSA as of and for the year ended June 30, 2006, which collectively comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of International Academy of Flint, PSA as of June 30, 2006, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise International Academy of Flint, PSA basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



In accordance with *Government Auditing Standards*, we have also issued a report dated August 11, 2006 on our consideration of the Academy's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

August 11, 2006

Plante & Moran, PLLC



#### Management's Discussion and Analysis

This section of International Academy of Flint's (IAF) annual financial report presents our discussion and analysis of the Academy's financial performance during the fiscal year that ended on June 30, 2006.

#### FINANCIAL HIGHLIGHTS

- The Academy's financial status improved for the seventh year in a row, total net assets increased approximately eight percent (8%) over the course of the year.
- Overall revenues were \$6.8 million, \$45,654 more than expenses.
- Revenues increased eight percent (8.0 %) to \$6.8 million while expenses increased nine percent (9.0%) to \$6.7 million.
- Enrollment increased four percent (4%) to 720 students.
- The Academy has no outstanding long-term debt.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and other supplemental information. The basic financial statements include two kinds of statements that present different views of the Academy:

- The first two statements are *Academy-wide financial statements* that provide both *short-term* and *long-term* information about the Academy's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the Academy, reporting the Academy's operations *in more detail* than the Academy-wide statements.
- The *governmental funds* statements tell how basic services like regular education and school services (including the lunch program) were financed in the *short-term* as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information and other supplemental information* that further explains and supports the financial statements. The required supplementary introduction includes with a comparison of the Academy's budget for the year.

The following chart summarizes the major features of the Academy's financial statements, including the portion of the Academy's activities they cover and the types of information they contain:

Major Features of Academy-wide and Fund Financial Statements

Scope	Academy-wide Statements	Fund Financial Statements
Required Financial	Statement of Net Assets	Balance Sheet
Statements	Statement of Activities	Statement of Revenues,
		Expenditures and Changes in
		Fund Balance
Accounting Basis and	Accrual Accounting and Economic	Modified Accrual Accounting
Measurement Focus	Resources Focus	and Current Financial Resources
		Focus
Type of Asset/Liability	All Assets and Liabilities, both	Generally assets expected to be
Information	Financial and Capital, Short-term and	used up and liabilities that come
	Long-term	due during the year or soon
		thereafter; no capital assets or
		long-term liabilities included
Type of Inflow/Outflow	All Revenues and Expenses during the	Revenues for which cash is
Information	year, regardless of when cash is	received during or soon after the
	received or paid	end of the year, expenditures
		when goods or services have
		been received and the related
		liability is due and payable

The remainder of this overview section of Management's Discussion and Analysis highlights the structure and contents of each of the statements.

#### **ACADEMY-WIDE STATEMENTS**

The Academy-wide statements report information about the Academy as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes *all* of the Academy's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Academy-wide statements report the Academy's net assets and how they have changed. Net assets – the difference between the Academy's assets and liabilities – are one way to measure the Academy's financial health or *position*.

- Over time, increases or decreases in the Academy's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Academy, you need to consider additional non-financial factors such as changes in the condition of the schools buildings.

In the Academy-wide financial statements, the Academy's activities:

• Governmental activities – All of the Academy's basic services are included here including regular and special education, administration, and building operations, as well as community activities. State formula aid and federal funding finance most of these activities.

#### FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Academy's *funds*, focusing on its most significant or "major" funds – not the Academy as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law.
- The Academy establishes other funds to control and manage money for particular purposes (like repaying long-term debt) or to show that it is properly using certain revenues (like school lunch).

The Academy may have two kinds of funds:

- Governmental funds All of the International Academy of Flint's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. Because this information does not encompass the additional long-term focus of the Academy-wide statements, we provide additional information along with the governmental funds statements which explain the relationship (or differences) between them.
- Fiduciary funds At present the Academy does not have any fiduciary funds. However, if the Academy were the trustee, or fiduciary, for assets that belonged to others (such as scholarship funds or student activities funds) these assets would be reported in the fiduciary fund. The Academy would be responsible for ensuring that any assets reported in these funds were used exclusively for their intended purposes and by those to whom the assets belong. Such assets are excluded from the Academy-wide financial statements because they cannot be used to finance Academy operations.

#### FINANCIAL ANALYSIS OF THE ACADEMY-WIDE RESULTS

**Net assets** – The Academy's total net assets were significantly larger on June 30, 2006, than they were the year before – increasing by more than eight percent (8%) from \$586,616 to \$632,270.

The Academy's improved financial position is the product of many factors. Growth during the year in student enrollment was a significant contributor to this improvement.

Effective budgeting on the part of the Board of Directors and proper administration of the budget is another contributor to the improved financial position.

The following charts represent the Academy's net assets and changes in net assets:

### **Net Assets**

	As of June 30, 2005	As of June 30, 2006
Cash and equivalents	\$ 499,518	\$ 588,892
Due from other governments	1,007,906	1,217,555
Other current assets	9,982	7,200
Total assets	1,517,406	1,813,647
Accounts payable	930,791	1,181,377
Accrued liabilities	<del>-</del>	<del>_</del>
Total liabilities	930,791	1,181,377
Net assets - unrestricted	<u>\$ 586,616</u>	\$ 632,270

# **Changes in Net Assets**

	Fiscal Year 2005	Fiscal Year 2006
Revenues		
Local sources	\$ 81,359	\$ 57,025
State sources	4,898,116	5,457,975
Federal sources	1,316,483	1,263,033
Total revenues	6,295,958	6,778,033
Expenses		
Instruction	2,879,283	2,851,182
Support services	2,652,343	3,015,095
Community services	463,618	677,005
Food services	<u> 185,001</u>	<u>189,097</u>
Total expenses	6,180,245	6,732,379
Increase in net assets	\$ 115,713	\$ 45,654

#### **Academy Governmental Activities**

The continued good health of the Academy's finances can be credited to a stable enrollment, ambitious grant seeking, and effective budget administration.

- The Academy anticipated a prorata decrease in the foundation allowance and budgeted for a potential decrease of \$175 per pupil. The per pupil foundation was \$7,175 compared to \$7,000 in FY 2005.
- Legal fees were kept to a minimum of \$12,139 saving the Academy in excess of \$7,000 for the year.
- 21<sup>ST</sup> Century Community Learning Center Funding and the Foreign Language Assistance Grant provided federal funds for the ongoing operation of the Academy before and after school.
- Title I funding and 31a funding helped finance the additional instruction and support services for the large population of at-risk students.

#### FINANCIAL ANALYSIS OF THE ACADEMY'S FUNDS

The strong financial performance of the Academy as a whole is reflected in its governmental funds. As the Academy completed the year, its governmental funds reported combined fund balances of \$632,270, \$45,654 above last year's ending fund balance of \$586,616.

The General Fund of the Academy had more revenues than expenditures in 2006, thereby, contributing to the increase in total fund balance. The School Service fund (that records the school lunch program) recorded a zero fund balance. Revenues were equal to expenditures.

#### **General Fund Budgetary Highlights**

Over the course of the year, the Academy revised the annual operating budget once. This budget amendment was based on:

• Changes made in May 2006 to reflect the updated award of funds from the State and various grants sources and aligned the budget with the object level detail required by Bulletin 1022.

While the Academy's final budget for the general fund anticipated that revenues would exceed expenditures by \$21,337, the actual results for the year show a \$45,654 surplus.

• Actual revenues were \$85,395 lower than expected, due largely to the anticipation of a larger enrollment.

The actual expenditures were \$109,713 below budget, due largely to decreased costs in executive administration.

#### CAPITAL ASSET AND DEBT ADMINISTRATION

#### **Capital Assets**

The Board of Directors of the Academy has adopted a \$5,000 threshold for the capitalization of assets. No purchases have been made that exceed this threshold, therefore, no assets have been recorded on the financial statements.

The Academy leases its facilities (two buildings). The leases are classified as operating leases.

#### **Long-Term Debt**

At June 30, 2006 the Academy had no long-term debt.

#### FACTORS BEARING ON THE ACADEMY'S FUTURE

At the time these financial statements were prepared and audited, the Academy was aware of three circumstances that could significantly affect its financial health in the future:

- The Academy is authorized by Central Michigan University as a public school academy to offer public education in grades K-12. That authorization was originally granted in August 1999 and was recently extended to June 30, 2007. The Academy will work diligently to ensure that it reaches or exceeds the expectations and goals set forth in the Charter Contract dated August 17, 2004.
- The student enrollment is expected to continue to grow. The State recently adopted a new funding formula that will calculate the per pupil foundation at 25% of the previous year's audited student count and 75% of the current year student count. The Academy will need to ensure that it budgets appropriately in order to continue to provide services for an increasing student body that is not fully funded.
- The Academy has contracted with an educational service provider. That contract stipulates that when the Academy Board has established a \$500,000 fund equity the amount of per pupil foundation that shall be utilized for costs of instruction, support services and operations shall be 97% of the funding. This limits the Academy Board's ability to continue to grow the fund equity.

#### CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact the Board Liaison Officer, International Academy of Flint, 2820 S. Saginaw Street, Flint, MI 48503.



# International Academy of Flint, PSA Statement of Net Assets June 30, 2006

	Governmental Activities		
Assets:			
Cash and cash equivalents (Note 3) Due from other governments Prepaid items	\$	588,892 1,217,555 7,200	
Total assets		1,813,647	
Liabilities Accounts payable		1,181,377	
Net Assets Unrestricted	\$	632,270	

## International Academy of Flint, PSA Statement of Activities For the Year Ended June 30, 2006

	_	Program Revenues	Activities Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating Grants			
Functions/Programs Governmental Activities:					
Instruction	\$ 2,851,182	\$ 1,432,438	\$	(1,418,744)	
Support services	3,015,095	-		(3,015,095)	
Food services	189,097	189,097		-	
Community services	677,005			(677,005)	
Total Governmental activities	\$ 6,732,379	\$ 1,621,535		(5,110,844)	
	General Revenues:				
	State of Michigan	aid, unrestricted		5,099,473	
	Interest earnings	,		9,363	
	Other			47,662	
	Total general	revenues		5,156,498	
	Change in Net Asso	ets		45,654	
	Net assets - beginning	ng of year		586,616	
	Net assets - end of	year	\$	632,270	

### International Academy of Flint, PSA Governmental Funds Balance Sheet June 30, 2006

	Governmental Fund Types					
		Special Revenue Fund General Food Service		Total Governmental Funds		
Assets						
Cash and cash equivalents (Note 3) Due from other governments Prepaid items	\$	588,892 1,209,684 7,200	\$	- 7,871 -	\$	588,892 1,217,555 7,200
Total assets	\$	1,805,776	\$	7,871	\$	1,813,647
Liabilities and Fund Equity						
Liabilities: Accounts payable	\$	1,173,506	\$	7,871	\$	1,181,377
Fund balances: Reserved for prepaid items Fund balance - unreserved, undesignated		7,200 625,070		-		7,200 625,070
Total liabilities and fund balances	\$	1,805,776	\$	7,871	\$	1,813,647

### International Academy of Flint, PSA Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balances For the year ended June 30, 2006

	Governme		
	<u>General</u>	Special Revenue Fund Food Service	Total Governmental Funds
Revenues			
Local sources State sources Federal sources	\$ 57,025 5,453,535 1,078,376	\$ - 4,440 184,657	\$ 57,025 5,457,975 1,263,033
Total revenues	6,588,936	189,097	6,778,033
Expenditures Current: Instruction Support services Food services Community services	2,851,182 3,015,095 - 677,005	- - 189,097 -	2,851,182 3,015,095 189,097 677,005
Total expenditures	6,543,282	189,097	6,732,379
Net change in fund balances	45,654	-	45,654
Fund balances - beginning of year	586,616	_	586,616
Fund balances - end of year	\$ 632,270	\$ -0-	\$ 632,270



#### 1. Summary of significant accounting policies

The accounting policies of the International Academy of Flint, PSA (the Academy) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Academy:

#### **Reporting entity**

#### Organization:

International Academy of Flint, PSA, ("the Academy") is a body corporate and governmental entity organized under the Michigan School Code of 1976 as amended. It is organized and operates as a public school academy eligible to receive state school aid. The Academy received its initial charter approval from Central Michigan University (CMU) on August 17, 1999.

#### Contract with the Management Company:

The Academy Board entered into a contract on August 10, 1999 with Flint Education Management, LLC (a company owned by SABIS Educational Systems, Inc.). Under the agreement, Flint Education Management, LLC (FEM) manages and operates the Academy. When the Academy's Fund Balance is greater than \$500,000, FEM receives 97 percent rather than 95 percent of the state school aid received by the Academy after a 3% administration fee is deducted by CMU. FEM is responsible for reporting to the Academy's Board, the expenditures made in accordance with the budget adopted by the Board. FEM retains any management fees in excess of expenditures and the Academy is not liable to fund any deficits incurred by FEM. Expenditures made by FEM are reported as "purchased services" in the Academy's statement of revenues, expenditures and changes in fund balance. The expenditures are categorized according to function as defined by State Educational guidelines. The main facility, located at 2820 S. Saginaw Street, is owned by Flint Property Management, LLC (a company owned by SABIS Educational Systems, Inc.) and leased to the Academy.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Academy's reporting entity, and which organizations are legally separate, component units of the Academy. Based on the application of the criteria, the Academy does not contain any component units.

#### Academy-wide and fund financial statements

The Academy-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Academy has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

#### 1. **Summary of significant accounting policies** – (continued)

Separate financial statements are provided for governmental funds. Major individual governmental funds (the "General Fund") are reported as separate columns in the fund financial statements.

#### Measurement focus, basis of accounting and financial statement presentation

#### Academy-wide statements:

The Academy-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

#### Fund based statements:

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The Academy reports the following major governmental funds:

The General Fund is the Academy's primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

Additionally, the government reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The Food Service Fund is a Special Revenue Fund that segregates, for administrative purposes, the transactions of the food service activity from regular revenue and expenditure accounts. The Academy maintains full control of this fund.

#### Assets, liabilities, and net assets or equity

#### Deposits and investments:

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of twelve-months or less when acquired. Investments, when held, are stated at fair value.

#### 1. **Summary of significant accounting policies** – (continued)

#### Assets, liabilities, and net assets or equity- (continued)

#### Receivables:

All receivables are shown net of an allowance for uncollectible amounts. Management has determined that all receivables are collectible as of June 30, 2006. Therefore, no allowance for uncollectible amounts is recorded.

The State of Michigan utilized a foundation allowance approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

The Academy also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

#### Prepaid items:

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both Academy-wide and fund financial statements.

#### Capital assets:

Capital assets, such as land, buildings, equipment, and vehicles, generally are reported in the applicable governmental column in Academy-wide financial statements, when applicable. Capital assets are defined by the Academy as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extended asset life are not capitalized. The Academy has no capital assets or infrastructure type assets at June 30, 2006.

#### Compensated absences:

The liability for compensated absences is reported in the Academy-wide statements. The Academy has only one employee for which there is no compensated absences due at June 30, 2006.

#### Long-term obligations:

In the Academy-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets, when present. The Academy has no long-term obligations at June 30, 2006.

#### Fund equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations, if applicable, of fund balance represent tentative management plans that are subject to change.

#### 1. **Summary of significant accounting policies** – (continued)

Assets, liabilities, and net assets or equity—(continued)

#### Comparative date:

Prior year comparative data is not included in the Academy's basic financial statements.

#### **Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### 2. Stewardship, compliance, and accountability

#### Budgetary information:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e. the level at which expenditures may not legally exceed appropriations) is the functional level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits the Academy to amend its budget during the year. During the year, the budget was amended in a legally permissible manner. There was one amendment during the year to reflect updated awards from the State and other governmental entities during the fiscal school year.

Excess of expenditures over appropriations in budgeted funds:

The Academy had expenditures in excess of budget as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Community Service	\$529,383	\$677,005	\$ (147,622)

The variance in the budget was due to the Academy receiving a larger grant award than anticipated. Expenditures were made in accordance with the federal grant program.

#### 3. **Deposits and investments**

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes the Academy to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Academy is also allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

#### 3. **Deposits and investments** – (continued)

The Academy has designated Citizens Bank for the deposit of its funds. The Academy's deposits and investment policies are in accordance with statutory authority.

At year-end, the Academy's deposits and investments were reported in the basic financial statements in the following categories:

Governmental Activities

Cash and cash equivalents (deposits and money market accounts)

\$588,892

The Academy's cash and cash equivalents are subject to custodial credit risk, which is examined in more detail below:

#### Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy does not have a deposit policy for custodial credit risk. At year end, the Academy had \$528,160 of bank deposits (checking and money market accounts) that were uninsured and uncollateralized. The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Academy evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. No investments were held by the Academy at June 30, 2006.

#### 4. Defined Benefit Pension Plan and Postemployment Benefits

#### Plan Description:

The school District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multipleemployer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at P.O. Box 30171, Lansing, Michigan 48909-7671.

#### Funding Policy:

Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The Academy has adopted Governmental Accounting Standards Board (GASB) Statements No. 26 Financial Reporting for Post-employment Healthcare Plans Administered by Defined Benefit Plans, and No. 27 Accounting for Pensions by State and Local Governmental Employees.

#### 4. **Defined Benefit Pension Plan and Postemployment Benefits -** (continued)

Regular retirement benefits are payable monthly for the lifetime of a retiree and equals 1½ % of a member's final average compensation. A member may retire with an early permanently reduced pension after: (1) completing at least 15 years but less than 30 years of credited service, (2) attaining age 55, and (3) completing credited service in each of the 5 school years immediately preceding the pension effective date. The early pension is computed in the same manner as a regular pension but permanently reduced by one-half of one percent for each month between the pension effective date and the date the member will attain age 60. MPSERS also provides comprehensive group medical, hearing, dental, and vision insurance coverage for retirees and beneficiaries.

A Member Investment Plan (MIP) member may retire at any age with 30 years of credited service; at age 60 with 10 years or more of credited service; or at age 60 with 5 years of credited service provided the member has worked through his or her 60<sup>th</sup> birthday and has credited service in each of the 5 school fiscal years immediately preceding the pension effective date. A Basic Plan member may retire at age 55 with 30 or more years of credited service, or at age 60 with 10 or more years of credited service. There is no mandatory retirement age.

Funding Policy. Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contributes at a permanently fixed rate of 3.9% of gross wages. After December 31, 1989, membership in MIP is mandatory and members contribute at the following graduated permanently fixed contribution rate: 3% for the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Basic Plan members make no contributions. The Academy forwarded \$1,710 of MIP contributions withheld from employees during the year ended June 30, 2006.

Each MPSERS employer is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care premium amounts on a cash disbursement basis. For the year ended June 30, 2006, the Academy was required to pay 14.87% of eligible employees' compensation from July 1, 2005 through September 30, 2005 and 16.34% of eligible employees' compensation from October 1, 2005 through June 30, 2006. The contributions made by the Academy amounted to \$6,906, \$5,999, and \$5,758, for the years ended June 30, 2006, 2005, and 2004, respectively. All contributions made were equal to required contributions by the MPSERS.

The Academy's annual contribution represents less than 1% of the total contributions received by the MPSERS. Historical trend information showing funding progress, employer contributions and actuarial assumptions for the entire MPSERS plan is presented in the MPSERS September 30, 2005 comprehensive annual financial report.

*Post-employment benefits.* Under the MPSERS Act, all retirees have the option of continuing health, dental, and vision coverage, which are funded on a cash disbursement basis by the employers. The State of Michigan has contracted to provide comprehensive group medical, hearing, dental, and vision coverages for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premiums is paid by MPSERS, with the balance deducted from the monthly pension. Public Act 180 also authorized payments to employers as a one time \$174.5 million reduction in MPSERS reserves for health benefits, which in years prior to 1991 was pre-funded.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision

#### 4. **Defined Benefit Pension Plan and Postemployment Benefits -** (continued)

Plan, and Hearing Plan coverage with the following exceptions:

- (1) Retirees not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.
- (2) Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with vested deferred benefits, are eligible for partially paid health benefit coverage.

Dependents are eligible for 90% employer paid health coverage. During the year ended September 30, 2005, there were 151,706 eligible participants in the MPSERS that are eligible to receive benefits, of which, 115,071 and 122,291 are currently receiving health and dental/vision benefits, respectively. Benefit expenditures for the postemployment benefits for the MPSERS as a whole were \$761,695,958 for the year ended September 30, 2005.

#### 5. Contingencies

The Academy participates in various federally assisted programs. These programs are subject to compliance audits in accordance with the Single Audit Act. A single audit was performed for the year ended June 30, 2006 since the Academy expended more than \$500,000 in federal funds. The amount, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time, although, the Academy expects such amounts, if any, to be immaterial.

#### 6. **Risk management**

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions, and employer injuries (workers' compensation), as well as medical benefits provided to employees. The risk of employee injuries and medical benefits for employees of the management company are covered by insurance held by the management company. The Academy has purchased commercial insurance for all other claims. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage since inception..

#### 7. **Operating leases**

International Academy of Flint, PSA leases its facilities (two buildings) and copier equipment at monthly rates ranging from \$2,982 to \$81,821 during the year ended June 30, 2006. The facility leases end on July 31, 2007 and June 30, 2009. The copier equipment lease was signed May 16, 2006. The first payment is due in August 2006 and ends July 2012. The financial obligation for the copier is paid by Flint Education Management, LLC, pursuant to the educational service provider agreement. The leases are classified as operating leases. Lease expense for the year ended June 30, 2006 totaled \$981,855.

The following is a schedule of future minimum rental payments required under the noncancelable operating leases:

2007	\$1,158,227
2008	1,017,651
2009	1,017,651
2010	35,796
2011	35,796
Thereafter	2,981

\$3,268,102



# International Academy of Flint, PSA Other Supplemental Information General Fund Schedule of Expenditures - Budget and Actual For the Year Ended June 30, 2006 With Comparative Actual Totals for the Year Ended June 30, 2005

	2006 Budget	2006 Actual	2006 Variance Favorable (Unfavorable)	2005 Actual
Expenditures:				
Instruction - purchased services: Basic programs	\$ 2,261,959	\$ 2,245,435	\$ 16,524	\$ 2,038,661
Added needs:				
Compensatory education	330,445	273,194	57,251	501,032
Special education	340,085	332,553	7,532	339,590
Total added needs	670,530	605,747	64,783	840,622
Total instruction	2,932,489	2,851,182	81,307	2,879,283
Support services: Instructional support - purchased services: Pupil - guidance services	366,069	365,070	999	38,366
Instructional staff	-	-	-	115,270
Other instructional services	340,465	338,742	1,723	384,375
Total instructional support services	706,534	703,812	2,722	538,011
General administration - Board of Education:				
Board executive officer	53,800	52,897	903	51,766
Legal services	20,000	12,139	7,861	9,642
Audit services	8,000	8,000	-	9,800
Workshops & conferences	10,000	743	9,257	4,464
Printing & binding	5,000	1,072	3,928	1,136
Other	8,600	5,083	3,517	3,802
Total general administration	105,400	79,934	25,466	80,610
Executive administration	295,795	236,078	59,717	147,171
School administration - purchased services	297,546	269,933	27,613	407,428
Business & facilities - purchased services	1,197,211	1,196,701	510	1,161,437
Operation & maintenance - purchased services	588,637	528,637	60,000	317,686
Total support services	3,191,123	3,015,095	176,028	2,652,343
Community services - purchased services	529,383	677,005	(147,622)	463,618
Total expenditures	\$ 6,652,995	\$ 6,543,282	\$ 109,713	\$ 5,995,244

The budget information presented is in greater detail than the amended budget adopted.



# International Academy of Flint, PSA Other Supplemental Information General Fund

# Schedule of Revenues - Budget and Actual

# For the Year Ended June 30, 2006 With Comparative Actual Totals for the Year Ended June 30, 2005

	General Fund					
	2006 Budget		2006 Actual	Fa	Variance vorable favorable)	2005 Actual
Revenues: Local sources:						
Act 18, miscellaneous local sources Interest	36,29 4,00		47,662 9,363	\$	11,367 5,363	\$ 76,760 4,599
Total local sources	\$ 40,29	5	57,025	\$	16,730	81,359
State sources:						
State aid	5,180,00	00	5,099,473		(80,527)	4,566,127
Restricted - state pass through	358,64	-7	354,062		(4,585)	330,017
Total state sources	5,538,64	-7	5,453,535		(85,112)	4,896,144
Federal sources:						
Restricted - federal pass through	112,52	23	116,694		4,171	143,809
Restricted - state pass through	890,87	7	870,035		(20,842)	865,099
Restricted - federal direct	91,99	0	91,647		(343)	124,546
Total federal sources	1,095,39	0	1,078,376		(17,014)	1,133,454
Total revenues	\$ 6,674,33	<u> </u>	6,588,936	\$	(85,396)	\$ 6,110,957

# International Academy of Flint, PSA Other Supplemental Information General Fund Schedule of Expenditures - Budget and Actual For the Year Ended June 30, 2006

#### With Comparative Actual Totals for the Year Ended June 30, 2005

	<b>General Fund</b>			
	2006 Budget	2006 Actual	2006 Variance Favorable (Unfavorable)	2005 Actual
Expenditures:				
Instruction - purchased services: Basic programs	\$ 2,261,959	\$ 2,245,435	\$ 16,524	\$ 2,038,661
Added needs:				
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Community services - purchased services	529,383	677,005	(147,622)	463,618
Total expenditures	\$ 6,652,995	\$ 6,543,282	\$ 109,713	\$ 5,995,244

The budget information presented is in greater detail than the amended budget adopted.

# International Academy of Flint, PSA Other Supplemental Information Statement of Revenue, Expenditures and Changes in Fund Balance- Budget and Actual Non-Major Governmental Fund Special Revenue Food Service Fund For the Year Ended June 30, 2006

	Special Rev	enue Fu	ınd		
	Food S	ervice			
'	Budget		Actual	•	Variance
Revenues:					
State sources	\$ -	\$	4,440	\$	4,440
Federal sources	250,000		184,657		(65,343)
Total revenues	250,000		189,097		(60,903)
Expenditures: School services activities -					
purchased services	250,000		189,097		60,903
Total expenditures	250,000		189,097		60,903
Excess of revenues (under) expenditures	-		-		-
Fund balance - beginning of year	-		-		
Fund balance - end of year	\$ - 0 -	\$	- 0 -	\$	- 0 -

# **OMB Circular A-133 Compliance Report**

International Academy of Flint, PSA Flint, Michigan

June 30, 2006

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Independent Auditor's Report

Board of Directors International Academy of Flint, PSA Flint, Michigan

We have audited the financial statements that collectively comprise the International Academy of Flint, PSA's basic financial statements for the year ended June 30, 2006 and have issued our report thereon dated August 11, 2006. Those basic financial statements are the responsibility of the management of International Academy of Flint, PSA. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of International Academy of Flint, PSA taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

August 11, 2006







Suite 1A 111 E. Court St. Flint, MI 48502 Tel: 810.767.5350 Fax: 810.767.8150 plantemoran.com

Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 

Board of Directors International Academy of Flint, PSA Flint, Michigan

We have audited the financial statements of International Academy of Flint, PSA as of and for the year ended June 30, 2006, which collectively comprise the International Academy of Flint, PSA, and have issued our report thereon dated August 11, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered International Academy of Flint, PSA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

#### Compliance

As part of obtaining reasonable assurance about whether International Academy of Flint, PSA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.



This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities and is not intended for and should not be used by anyone other than these specified parties.

August 11, 2006

Plante & Moran, PLLC



Suite 1A 111 E. Court St. Flint, MI 48502 Tel: 810.767.5350 Fax: 810.767.8150 plantemoran.com

Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

Board of Directors International Academy of Flint, PSA Flint, Michigan

#### Compliance

We have audited the compliance of International Academy of Flint, PSA with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. International Academy of Flint, PSA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of International Academy of Flint, PSA's management. Our responsibility is to express an opinion on International Academy of Flint, PSA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about International Academy of Flint, PSA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on International Academy of Flint, PSA's compliance with those requirements.

In our opinion, International Academy of Flint, PSA complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

#### **Internal Control over Compliance**

The management of International Academy of Flint, PSA is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered International Academy of Flint, PSA's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.



Our consideration of internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal controls over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities and is not intended for and should not be used by anyone other than these specified parties.

August 11, 2006

Plante & Moran, PLLC

## International Academy of Flint, PSA Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2006

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA <u>Number</u>	Agency Contract <u>Number</u>	Accrued (Deferred) June 30, 2005
United States Department of Education Direct:			
Foreign Languages Assistance Program (04/05) Foreign Languages Assistance Program (05/06)	84.293B 84.293B	T293B030220-04 T293B030220-05	\$ 32,612
Total U.S. Department of Education - Direct			32,612
Passed through the Michigan Department of Education:  21 <sup>st</sup> Century Community Learning Center*  21 <sup>st</sup> Century Community Learning Center*(05/06)  21 <sup>st</sup> Century Community Learning Centers *(05/06)	84.287 84.287	052110-21st02-069 062110-04046	<u>-</u>
Total 21 <sup>st</sup> Century Community Learning Center			<u>-</u>
Title I * Title I - Part A Regular * (04/05) Title I - Part A Regular * (05/06)	84.010 84.010	051530-0405 061530-0405	13,797
Total Title I			13,797
Title II  Title II – Part A - Improving Teacher Quality (05/06)  Title II – Part D – Technology (05/06)  Title II – Part D – Technology (04/05)	84.367 84.318 84.318	060520-0506 064290-0506 054290-0405	1,250
Total Title II			1,250
$\frac{\text{Title V}}{\text{Title V}} = \frac{\text{Negular (03/04)}}{\text{Title V} - \text{Regular (04/05)}}$ $\frac{\text{Title V}}{\text{Title V}} = \frac{\text{Negular (05/06)}}{\text{Regular (05/06)}}$	84.298 84.298 84.298	040250-0304 050250-0405 060250-0506	434
Total Title V			434
Total U.S. Department of Education passed through the Michigan Department of Education			15,481
Special Education Cluster: United States Department of Education Passed through Genesee Intermediate School District:			
IDEA – Special Education (04/05)	84.027	050450-0405	36,534
IDEA – Special Education (05/06) IDEA – Preschool Incentive (05/06)	84.027 84.173	060450-0506 060460-0506	<del>-</del> -
IDEA – Preschool Incentive (05/06)	84.173	050460-0405	1,780
Total IDEA – Special Education Cluster			38,314

<sup>\*</sup> Indicates a major program.

See Notes to Schedule of Expenditures of Federal Awards

Cash <u>Receipts</u>	<u>Expenditures</u>	Accrued (Deferred) June 30, 2006	Total Award <u>Amount</u>
\$ 38,353 62,857	\$ 5,741 85,906	\$ - 23,049	\$ 91,990 91,990
101,210	91,647	23,049	
253,770 155,194	294,764 168,854	40,994 13,660	294,764 168,854
408,964	463,618	54,654	100,001
19,081 250,327	5,284 313,954	- 63,627	309,207 331,804
269,408	319,238	63,627	
59,005 6,138 2,885	73,183 6,138 1,635	14,178 - -	82,823 6,190 6,223
68,028	80,956	14,178	
1,122 5,417	688 5,536	- - 119	9,141 See Adjustment – Note 5 8,514 6,438
6,539	6,224	119	
752,939	870,036	132,578	
36,534 65,413 2,384 1,780	113,084 2,384	- 47,671 - -	134,093 113,084 2,384 1,780
106,111	115,468	47,671	

(continued)

## International Academy of Flint, PSA Schedule of Federal Programs (continued) For the Year Ended June 30, 2006

Federal Grantor/	Federal	Agency	Accrued
Pass Through Grantor/	CFDA	Contract	(Deferred)
Program Title	<u>Number</u>	<u>Number</u>	June 30, 2005
United States Department of Education			
Passed through Genesee Intermediate			
School District: – (continued)			
· · · · · · · · · · · · · · · · · · ·	84.186	042860-0304	1 400
Safe and Drug Free Schools (03/04)			1,400
Safe and Drug Free Schools (05/06)	84.186	062860-0506	
Total U.S. Department of Education			
Passed through Genesee Intermediate			
School District			1,400
Child Nutrition Cluster:			
United States Department of Agriculture			
Passed through the Michigan Department			
of Education:			
National School Breakfast	10.553		921
National School Lunch	10.555		6,483
Child Care Food Program	10.558	061920 / 062010	-
Food Distributions:			
Entitlement Commodities	10.550	25905	-
Bonus Commodities	10.550	25905	
Total Department of Agriculture			
passed through the Michigan			
Department of Education			7,404
Total Federal Awards			<u>\$95,211</u>

See Notes to Schedule of Expenditures of Federal Awards

Cash <u>Receipts</u>	Expenditures	Accrued (Deferred) June 30, 2006	Total Award <u>Amount</u>
1,400	1,226	- 1,226	1,571 1,226
1,400	1,226	1,226	
30,663 151,690	30,759 151,188	1,017 5,981	30,759 151,188
1,171 665	873 1,171 665	873 - -	873 1,171 665
184,189 \$1,145,849	184,656 \$1,263,033	7,871 \$ 212,395	

# International Academy of Flint, PSA Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2006

#### Note 1 – Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of International Academy of Flint, public school academy, and is presented on the same accrual basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

#### Note 2 – Non-monetary Assistance

The value of the non-monetary assistance received was determined in accordance with the provision of OMB Circular A-133. Non-monetary assistance for USDA food distribution is reported in the schedule on the fair market value of the commodities received and disbursed.

#### **Note 3 – Subrecipient Awards**

. International Academy of Flint, PSA, has provided federal awards to subrecipients as follows:

		Accrual
Program Title	<u>Subrecipient</u>	<b>Expenditures</b>
84.287 21 <sup>st</sup> Century Learning Center	Center Academy of Flint	\$ 73,733

#### Note 4 – Grant Section Auditor's Report

Management has utilized Form R-7120 in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

#### Note 5 – Adjustment to Prior Year Totals

For the prior year ended June 30, 2005, expenditures and cash receipts totaling \$8,453 was reported on the SEFA for the Title V 2003/2004 total award amount. An additional \$688 of expenditures incurred and \$688 in cash receipts received were inadvertently omitted from the SEFA for the year ended June 30, 2005, bringing the correct totals to \$9,141 in cumulative expenditures and cash receipts for the Title V 2003/2004 award. There were no expenditures or cash receipts during the year ended June 30, 2006 for the 2003/2004 Title V award.

# International Academy of Flint, PSA Schedule of Findings and Questioned Costs Year Ended June 30, 2006

# **Summary of Auditor's Results**

Part I			
1. Did the auditee expend more than \$25,000,000 in federal awards during the fiscal year?	Yes	X No	
2. If answer to question 1 was yes, indicate which federal agency provided the predominant amount of direct funding.			
Part II – Financial Statements			
Type of auditor's report issued:	<u>U1</u>	nqualified	
Going concern explanatory paragraph included	Yes	X No	
Internal control over financial reporting:  Material weakness(es) identified?  Reportable condition(s) identified	Yes	X No	
Not considered to be material weaknesses?	Yes	X None repor	rted
Noncompliance material to financial statements noted?	Yes	X No	
Findings related to the financial statements reported in a	ccordance with Govern	mental Auditing Star	adards: None
Part III – Federal Programs			
Type of auditor's report issued on compliance for major programs:	<u>U1</u>	nqualified	
Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending greater than \$300,000 in Federal awards that have separate A-133 audits which are not included in this audit?	Yes	<u>X</u> No	
Dollar threshold used to distinguish between Type A and Type B programs	\$300,000		
Auditee qualified as low-risk auditee	X Yes	No	
		(conti	inued)

# International Academy of Flint, PSA Schedule of Findings and Questioned Costs – (continued) Year Ended June 30, 2006

## Part III - Federal Programs - (continued)

Is a reportable condition disclose	d for any major program?	Yes	X No
Is any reportable condition reported as a material weakness? Yes			X No
Are any known questioned costs reported? Yes			X No
Was a Summary Schedule of Prior Audits Findings Prepared? YesX			
Identification of major programs:			
CFDA Numbers	Name of Federal Program o	r Cluster	
84.287	21 <sup>st</sup> Century Community Le	arning Center	
84.010	Title I – Part A Regular		

Findings related to the federal award programs: None





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October 9, 2006

Board of Directors International Academy of Flint, PSA Flint, Michigan

#### **Dear Board Members:**

We recently completed the audit for the International Academy of Flint, PSA for the year ended June 30, 2006 and have issued our report under separate cover. The following represents recommendations relative to potential improvements to financial policies and procedures that we would like to communicate to you.

#### **Accounting System and Deposit Details:**

We believe the current accounting system (Pontem System) is not being used to its full potential. We recommend the initial input of data be done with sufficient detail in appropriate object codes, etc as required by MDE's Bulletin 1022 during the school year. The detail is eventually needed to prepare reports and therefore, it is more efficient to provide the detail on the initial data entry.

Expanded use of the Pontem system would also allow for more detailed cash receipt documentation when recording the various grant activity. Currently, the Excel spreadsheet prepared to record "cash receipts/revenue" lists a combined total for grants received during the month rather than list details of amounts received by individual grants (i.e. Title I, Title II D, etc.). The Pontem System allows for the provision of details of individual grants for better tracking by grant. We recommend that use of the Pontem system be expanded.

We have already discussed the recommendation with management and understand that it is being implemented.

We would like to thank the Lorilyn Coggins for her assistance during the audit. We would also like to thank the Board for the opportunity to serve as the Academy's independent auditors.

Sincerely,

Plante & Moran, PLLC

Tadd Harburn, CPA

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